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CONSIDERATIONS

RELATING TO THE

Late Order of the two BANKS established
at E D I N B U R G H ;

BY WHICH .

They have recalled One Fourth of their
C A S H - A C C O M P T S .

THE SECOND EDITION, WITH ADDITIONS.

Banking
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E D I N B U R G H :

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M D C C L X I I .

1568/37.



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CONSIDERATIONS

RELATING TO

The late ORDER of the TWO BANKS established at Edinburgh, by which they have recalled one Fourth of their Cash-accompts.

SOME weeks ago, the two Banks of Scotland at Edinburgh sent a circular letter to the several merchants and other gentlemen who had cash-accompts in the books of either Bank, acquainting them, that from henceforth they were to consider their cash-accompts as reduced one Fourth; and if they had drawn money beyond three fourths of their former accompt, that they must immediately pay it, without any farther notice.

It may be proper to consider the motives of this order, and the effects it may produce; and, at the same time, to enquire, whether or not it be possible to invent any remedy against the danger which may attend future proceedings of this sort?

This is an enquiry of the utmost consequence to the trade and prosperity of Scotland, and it is a cause in which every man, from the lowest to the highest, is interested. It is an evil, however, which, we hope, may admit of a speedy and effectual cure.

It will be proper to premise, for the information of those who may not have had occasion to bestow much thought upon this subject, That a bank is a society or company of men, whose credit is so established, that their Notes or Bills have a currency, and fully supply the place of money in common transactions.

Agreeable to the strictest meaning of a Bank, those who issue the Notes, ought to have money equal to the full value of each Note, lying ready in the Bank: and, when that is the case, the paper is entirely equivalent to the money, with the advantage of being much more easily transported and counted over.

The Bank of Amsterdam is upon this footing. No Notes are issued by that Bank, except when money is paid in; and then an attestation is given, that such a sum is lodged in the Bank. The money is understood to be there kept: and this is the plan of the institution, though there may be reason to suspect that much of it has been again secretly issued out, and applied to the purposes of government: but, however this may be, it is certain that every

person is willing to take the attestation of the Bank in payments as money. By the establishment of this Bank, the money cannot be demanded back, but must ever remain deposited: and, indeed, so great is the conveniency of paper-money, that no person would be willing to take their money in exchange for the paper, because they may sell it for more than the sum it bears, which is called the *agio* of the Bank, or the rate at which Bank-paper is valued above actual cash.

The Bank of England is not upon the same footing: all its Notes are not granted as the value of money actually lodged. It deals in discounting bills, for which it issues Notes to a very great extent: and there is this farther difference from that of Amsterdam, that every person may demand up his money from the Bank of England when he pleases.

The Banks established in Scotland are in a good measure on the same footing with the Bank of England. It had been found by experience, that when Notes fitted for currency were granted as evidence of money deposited, the occasional demands for delivering up the money bore no proportion to the number of Notes; by which means a great sum of money lay constantly in the Bank unemployed. Several eminent bankers at London took advantage of this; and having given out Notes to a great extent, in return for cash, or goods, or bonds; they kept no more money ready in Bank for answering these Notes than by experience was found to be fully sufficient to answer the demands of cash for Notes. The remainder they lent out on interest, or employed in trade.

This is precisely the method followed by the Banks established in Scotland. They differ from the Amsterdam Bank, in paying the value of their Notes on demand, and in keeping much less money in Bank than their Notes amount to; and they differ both from that and the Bank of England, in giving out Notes for much smaller sums.

The advantage arising from this to the private undertakers is very great, but the advantage to the country has been still greater. Each of the present Banks at Edinburgh may perhaps circulate Notes to the amount of L. 300,000.; but the sum necessary for answering the occasional demands of cash to be paid in exchange for Notes, will not, it is believed, exceed L. 50,000.; and therefore the undertakers have a profit equal to the interest of L. 250,000. or L. 12,500. yearly; from which nothing but the expences of management and loss by debtors is to be deducted.

To the country of Scotland the advantage has been an actual increase of stock at the rate of L. 250,000. for each L. 300,000. of Notes circulated. These Notes have served all the purposes of money; and as a less quantity of circulating specie became thereby necessary, the money itself, as a valuable commodity, has been

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sent to other countries, and, in return for it, goods or the materials of manufacture brought home.

The actual specie cannot go out of a country, after the establishment of a Bank, more than before it, unless it be sent as the value of something brought back in return.—A want of attention to this circumstance seems to have induced some ingenious and even candid reasoners to imagine that Banks are destructive to a country, as depriving it of its circulating cash.

When upon any occasion the specie itself is necessarily wanted to be brought back, the stock which was before purchased by it must always be able to command it, if a little time is allowed: nor can the expence of bringing the specie back ever exceed the rate of exchange added to the expence of carriage back, but in most cases will be much under it.

Neither does the objection which has been suggested against Banks, by a writer of the first rank, seem to be conclusive. He thinks they may hurt the trade and manufactures of a country, by augmenting the quantity of circulating money, so as to raise the prices of labour and of every thing else. But the answer seems to be, That a certain quantity of circulating money, and no more, is necessary for carrying on the transactions of a country; and therefore, till an encrease of transactions requires more, whatever additional quantity is either brought in or created, must flow out to other countries in the course of trade, and, in return for it, stock, or the materials of manufacture, will be brought home: so that the encreasing the cash in any country connected with the rest of the world by trade, cannot greatly, if at all, encrease the prices of labour or provisions, till it has had an effect upon the circulating cash in all other trading countries. And the same author allows, that the first effect of the sudden encrease of specie in a country is to enliven and accelerate trade and industry of every kind.

The advantage which the country of Scotland has received from the Banks, is not confined to the encreasing the national wealth in so great a proportion. It must ever be of the utmost importance to trade, manufactures and agriculture, to furnish a ready means of procuring money to borrow on good security, which is effected without difficulty by the establishment of a Bank. By this the whole land, and houses, and stock in a kingdom, can, in effect, be employed as cash in promoting industry and encreasing trade. And without such a resource, every undertaking of any extent must be checked, and the employing great stocks must be rendered impossible; though great stocks employed are the only means of rendering trade an article of national importance; for in proportion to the greatness of the stock employed, the profits and the consequences of any trade are rendered considerable to a country.

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Even the internal commerce of a nation is promoted and enlivened by such a recourse; because every man is enabled, in proportion to his real stock, to procure money for making ready payments to all who have demands upon him: and till payments are brought into that situation, a country must remain almost in a state of barbarity.

For facilitating this important advantage arising from the Banks of Scotland, in furnishing money to every man in proportion to his stock, a method was invented, by cash-accompts. This invention deserves the highest praise. The nature of it is, That the Bank, upon proper security, agrees to advance, to any person who can employ the money to advantage, cash to a certain extent, at such times, and in such proportions as he shall order, for which he is to pay *5 per cent.* from the time of advancing the money: and, on the other hand, the Bank agrees to receive from him payments, from time to time, in such small sums as the situation of his affairs will allow. By this means, no man pays interest for more than he immediately wants, and the moment he receives money he can pay it to the Bank, from which time the interest running against him is stopped to the extent of the payment: so that every man has, by this means, not only the use of his stock, as if it was money, but he has, at once, the use of that money as if it was in his pocket, while, at the same time, it is made to bear interest every hour that it is unemployed.

It is by this means that private bankers in Scotland have been enabled to pay *4 per cent.* for money lodged in their hands, and can yet afford to pay it on demand; and by lending out at *5 per cent.* sums equivalent to what are usually lodged in their hands, they have gained a small profit to themselves, but have promoted manufactures and industry over Scotland in a very extensive degree.

The Bank is, then, of the utmost use to the merchants; but, in its turn, the Bank receives the greatest advantages from them. It is by opening cash-accompts, that the Banks have been enabled to circulate Notes to so great an extent, and have made their paper enter into every transaction. The limited transactions of the Banks themselves, could disperse a very small number of Notes. The only means it has of circulating extensively, upon which its profit depends, is by lending its paper-money to every person who can find good security; and merchants are induced to borrow money preferably from the Banks, tho' they could often borrow it at a lower interest elsewhere, chiefly on account of the great convenience and advantage arising from cash-accompts.

From this short view of the nature and importance of the Banks of Scotland, it will appear, that nothing can influence the prosperity of this country in a greater degree, than the proper management

ment of these fountains of money and credit : and as it is of the highest consequence that every one should perceive how much may depend upon the conduct of those who are trusted with the direction of our Banks, I will beg leave to figure some cases of improper management, and point out the consequences which such management, if it ever should exist, might produce, both as a warning against it, and as an argument to prove the importance of the trust which is reposed by the proprietors of Bank-stock, in the directors of the Bank.

If it could be supposed to be possible, that men of narrow and contracted views should ever be admitted to the direction of the Banks of Scotland, their conduct would have a direct tendency to check the progress of industry, or even to overwhelm the commerce of this nation in its infant state. Such men, in place of allowing every person who can find undoubted security, the benefit of converting his stock into money, by which alone the trade and manufactures of a country can be extensively carried on ; such men, it may be supposed, would be afraid to lend even upon the best security : they would limit the extent to which they were to lend, not in proportion to their Bank-stock, but in proportion to their fears : and though the more they lend, on proper security, their stock must encrease the faster, and their danger become the less, yet would they be apt to tremble at that very encrease, and, by looking at a great object, their heads would become giddy ; without being able to conceive, that, to an extensive mind, a great object is equally harmless, and often more easily conducted ; than a small one.

Such men could not be expected to perceive, that, by promoting the trade of a country, they would study their own advantage the most ; not only because, in the midst of general wealth and general success, bankruptcies are fewer in number, and sooner recovered ; but that, by such means, the circulation of paper-money must be greatly encreased : for the more trade there is, the greater must be the number of transactions, and a greater quantity of circulating cash required in the course of these transactions. But so far would such men be from entering into these views, that, in place of encreasing the circulating quantities of cash, as they found the trade of a country to encrease, they would rather keep to their original absurd, limited maxims, or even, perhaps, attempt to decrease the circulation of their paper-money or Notes.

But the capital occasion in which such men would discover the narrowness of their minds, and the shortness of their views, would be upon the establishment of any rival Bank. No such rival Bank could indeed arise, while the managers of the established Banks are supposed to have performed their duty : but if, on the other hand, it is supposed that they have not furnished money to all who
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offered good security ; if they have not encreased the circulation of their Notes, according to the demands of trade ; if they have not established a branch for cash-accompts in the most remarkable trading towns, which, on account of their distance, could not otherwise have the benefit of that useful invention ; if they have not followed these obvious methods of rendering their Banks as useful as they were capable of becoming ; they will no doubt be in hazard of seeing a rival Bank contend with them for the favour and protection of the public.

Such rival Bank, it may be expected, will be undertaken by men of more enterprize and more extensive views. All who have been refused by the former Banks, will apply to the new. Those whose trade has been cramped, and their industry checked by the limited views of the first Banks, will here find a ready and plentiful supply ; the effect of which will be instantly perceived over the whole extent of a country ; and, in proportion to the former weakness, folly and partiality of the first Banks, will be the success of the new, and the effects it will produce.

This success, in place of hurting the first Banks, might be of advantage even to them, and the encrease of trade and transactions would still give circulation to a greater number of old Notes than the first Banks formerly ventured to issue ; and from the respect which their long establishment might give to the first Banks, they would naturally be preferred, in a great measure, to the rival Bank. That this proposition is true, may be proved by the experience of this very country : for it is well known that the circulation of the *Old Bank of Scotland* was not hurt by the erection of the *New Bank* ; but that, on the contrary, its circulation has, since that time, encreased greatly. Perhaps the erection of that Bank may also tend to illustrate some of the other particulars we have just now mentioned.

But there is reason to believe, that the idea of receiving advantage, in place of injury from a rival Bank, would be beyond the reach of such men ; and that they would immediately believe themselves ruined, unless they were to be supported by enjoying a monopoly. They would act with the narrow-mindedness of an ignorant trader, who, notwithstanding the limited nature of his own transactions, never could be persuaded that another might carry on the same branch, without taking the bread from his mouth.

Every method would therefore be pursued by such men, not to encrease their own circulation, but to distress and interrupt that of their rival ; nay, if they had the power, they would not hesitate, with sacrilegious hands, to annihilate that new and extensive support of the country : and yet, perhaps, they would never think

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of endeavouring, by their own circulation, to supply those whose trade and success depended on the other.

It appeared of importance to expose the mischiefs which might arise to this country, should the direction of our Banks ever fall into improper hands; and also to point out the advantages which might, in such case, arise from a rival Bank: but, in general, it would appear, that the multiplicity of Banks is dangerous to a country, if the necessity of rivalry, to check the desire of monopoly, and to remedy the weakness of a bad administration, did not sometimes require it. If a single Bank could be supposed at all times under the direction of men, actuated by public and extensive views, capable of exact attention, and free from those prejudices and partialities which are incident to human nature, it would be infinitely more desirable that the whole circulation of Scotland should proceed from that single Bank, whose credit would stand upon a firmer and more extensive footing, and whose power would be greater of supporting and extending trade.

This, perhaps, is never to be expected. But the number of Banks should only be increased so far as is necessary to supply the defects and correct the mistakes of the principal Banks. For if the number of Banks is too much augmented, the danger that some of them may fail, becomes very considerable; and such a failure would always be dreadful in its consequences to any country.

The persons whose views and habits of thought render them chiefly fitted for the direction of public Banks, seem to be those who are accustomed to extensive trade. It is not very probable, however, that such men will ever be admitted to the direction of any of the established Banks of a country, on account of those ideas which may be expected to prevail in the direction of an old established institution. They can only serve their country, therefore, by erecting a rival Bank; but, in doing this, it is their duty to guard against the possibility of a bankruptcy, the consequences of which might prove destructive to thousands: the most effectual means of doing which seems to be, to engage in the copartnery as great a number of landed gentlemen, as can be admitted without controuling and embarrassing the management.

It is the duty of such a Bank, thus firmly established, to prevent the possibility of farther institutions of the same kind, by supplying plentifully the demands of the nation: and it is the duty of the merchants of a country to support and encourage such a Bank, and to discourage the establishment of all other institutions of the same kind, until the direction of this new establishment falls into the same unskilful hands which limited the usefulness of the others.

It is worth observing, That though perhaps in general no Bank

can be conducted with proper spirit, or rendered extensively useful, unless it be under the direction of merchants; yet, at the same time, the risk and hazard to which the fortunes of merchants are continually exposed renders it improper that the credit of any Bank should depend solely upon them.

A Bank, by not extending its circulation in proportion to the demands of a country, may check the progress of trade and manufactures: but it cannot prove destructive, except in one of two ways; either by becoming bankrupt; or, which is more frequent, by suddenly diminishing the quantity of its circulation.

The bankruptcy of a Bank under proper regulations is not very much to be apprehended; it can only happen when the expence of management, and annual loss by bad debts, exceeds the annual profit, and does not leave sufficient to pay the lowest usual interest on the original stock.

The failure of a Bank does not depend upon the failure of the particular partners. The Bank-stock lodged will be transferred, while the Bank yields any profit, to the creditors of the particular partners, without loss or injury to the Bank.

But though the risk of bankruptcy is not considerable, and, under proper management, amounts to nothing; yet a Bank, without becoming bankrupt, may be the source of inconceivable mischief to a trading country: and this mischief must always arise when a Bank attempts to diminish its circulation, especially if it does it suddenly. This has the same effect that the sudden annihilation of so much cash would have in a country. Every man who engages in trade, must regulate his undertakings by the quantity of cash he knows he can command: if this is suddenly diminished, it must necessarily affect, in a sensible manner, every transaction in trade; and, if carried to a height, might occasion a total bankruptcy: if done gradually, it will still have bad effects; because it must oblige every man to contract the extent of his dealings, and thereby not only diminishes the actual wealth of the nation, but puts a stop to the encrease of it by trade. The eminent author I have already mentioned may be referred to as an authority upon this point: "We find, (says he), that in every kingdom into
 " which money begins to flow in greater abundance than formerly, every thing takes a new face; labour and industry gain
 " life, the merchant becomes more enterprising, the manufacturer
 " more diligent and skilful, and even the farmer follows his plough
 " with greater alacrity and attention.—A nation, whose money
 " decreases, is actually, at that time, much weaker, and more
 " miserable than another nation who possesses no more money,
 " but is on the encreasing hand."

I cannot help considering the late step taken by the two Banks at Edinburgh, in recalling their cash-accompts, as having the strongest tendency of this kind: and therefore it may be proper to consider what motives may have occasioned it, and what security to the public may be devised against the consequences of any future steps of the same nature.

Of late, the exchange upon remitting money from Edinburgh to London, has risen to a great height; and the Banks at Edinburgh have found the demand upon them for specie, in exchange for Notes, to encrease very much; and, at the same time, have found greater difficulty in being supplied with cash. To remedy this inconvenience, they have judged it proper to recall one Fourth of the cash-accompts; and if this shall not prove effectual, they will, perhaps, in a little time, recall the whole.

It is a proper object of enquiry, in what manner the high exchange occasions a greater demand of specie upon the Banks; and whether the step lately taken will diminish the exchange, or the demands upon the Banks for specie.

The word Exchange imports no more than the giving money in one country for money in another. When a *premium* must be paid in the one country, for a bill payable in the other, the exchange is said to be high, and to be against the first country:—when no *premium* is required, it is at *par*:—when a discount is allowed to the person who advances money in the first country, upon receiving a bill on the second country, exchange is said to be low, and in favour of the first country.

The rate of exchange between any two countries is regulated by two circumstances: 1st, The degree in which the payments to be made by the one country, exceed those to be made by the other: and, 2^{dly}, The degree of risk and expence which attends the carrying of specie from the one country to the other.

Exchange can never regularly exceed the expence and risk of carrying the money from the one country to the other, but it may fall greatly below it; and when the payments to be made by each country are nearly equal, it will often be at *par*.

If the buyers and sellers of bills of exchange upon London were only Scotchmen, Bank Notes would answer all transactions of that sort, equally with money: but when a bill on London can sell at Edinburgh at 2 or 3 *per cent. premium*, and can be bought in the adjoining country of England at *par*, it will always be a practice to purchase bills on London at *par*, and sell them here for as high a *premium* as they will yield, and to carry away the specie to England, in order to purchase more bills: and as little

specie is to be got in this country but from the Banks, these demands will ultimately terminate there.

When the exchange rises to a height, it will also be a frequent practice for those who have large sums to pay in London, to carry the specie itself either the whole journey, or at least to the first town of England where bills on London can be purchased at *par*; and this must occasion another drain of specie from the Banks.

It may therefore be considered as a maxim undeniably true, That whenever the exchange is high, an unusual demand for specie will be occasioned also.

The exchange between two countries may be diminished by every means which lessens the demands which the one country has upon the other, or which facilitates the transporting of coin from the one to the other.

To diminish the demands which England has upon this country, must be the effect of the encrease of our own trade, and the promoting the consumption of home manufactures, which is a slow remedy, and requires time; but there is reason to believe it will at last prove effectual. The facilitating the exportation of our specie is in our own power; the distance between Newcastle and Edinburgh is so small, that the expence of carrying money there cannot exceed one fourth *per cent*; and therefore, if it was not for our own misconduct, the exchange ought never to exceed that rate, or a little more.

I know it will seem strange to say, that, by making it easy to transport our cash, we should devise the most certain means of keeping it at home; but nothing can be more certain in matters of exchange. If a law were made, prohibiting, under pain of death, all coin or specie to be carried from Scotland to England, the exchange might rise, perhaps, to 50 *per cent*.; and yet a much greater quantity of specie would be carried out than if no obstruction were thrown in the way; because the high exchange is a *premium* of the most tempting sort, to make all men endeavour to elude the law. The attempts which are made to keep specie in a country, put one in mind of the tricks of a juggler, where the harder you grasp what is put into your hands, you are the more certain to lose it.

But as we ought to facilitate the exportation of our specie, in order to keep down the exchange; so we must take the most effectual precautions, at the same time, to bring regularly back at least as great a quantity as we find is carried off. This can never be difficult, if proper attention is given to keep down the exchange: for, in the *first* place, very little specie will, in that case, be carried away;

away; and, *secondly*, when the exchange is low, it can be brought back at a small expence.

It will be said, perhaps, that though the exchange may be raised, by the difficulty with which payments in cash are obtained from the Bank; yet that this reluctance of theirs, and the tedious obstructions they have usually thrown in the way of such payments, has discouraged greatly the trade which was attempted to be carried on from Newcastle, of sending London bills to be sold here, and then carrying away cash in return.

But, in the *first* place, it may be doubted whether this method of proceeding is altogether just, or consistent with the very nature of a Bank, whose Notes are current upon the faith and confidence that the money they pass for may be had upon demand: and if it were thought that there is no injustice in treating a Newcastle man in this manner, will it be said, that, with respect to our own countrymen, who chuse to carry their money elsewhere, there is no injustice in thus counteracting the public faith of the Banks? for in this respect, all men of every country have been treated alike.

Independent, however, of the point of morality and justice, this method is ineffectual, and it is also impolitic. That it has proved unsuccessful, tho' carried to a great height, appears from the necessity our Banks have thought themselves under of recalling one Fourth of the cash-accompts. And indeed it is plain, that while the exchange is high, the trade of carrying the cash out of the kingdom must take place: and though great companies perhaps may desist, after being ill-treated, yet the infinite number of small dealers will never be deterred; and, while high profit excites them, they will persist so long as a six-pence of specie remains in the kingdom. The greater the obstruction that arises from the Bank, the higher the exchange will arise, and the greater will be the incitement to such dealers to persevere.

I will not pretend to say, that, after things have been allowed to come to such extremities, we have it in our power to remedy them, by the same means which would have served to prevent the evil. Perhaps the exporting the whole specie of Scotland would not be sufficient now to bring the exchange to *par*; and no proper precautions have been taken to supply the place of what shall be carried away: but I will venture to affirm, that if the Banks had in proper time secured large sums of cash in England when exchange was low, and had lent that money to the public companies there at interest, they might have recalled it gradually from time to time, as the course of exchange required; and by that means, and by offering no obstruction to the exportation of specie,

specie, they might have prevented the exchange from ever rising high. As they have neglected this precaution, it is just they should suffer, but not that they should on that account bring destruction upon the trade and manufactures of this country. I am farther of opinion, that it is in their power still to bring down the exchange, by employing their credit in England, and drawing bills of exchange upon that country at a moderate rate; and what they now draw for, they may pay back at a convenient time, which cannot now be very distant: and if they shall follow this course, it will be equally unnecessary and improper to obstruct the exportation of our specie.

Let us now examine what effect the recalling the cash-accompts can have upon the exchange, or upon the exportation of our specie.

The effect of this step must be, to diminish the quantity of circulating cash; and that must have the effect to diminish our trade; but it cannot in any degree diminish the surplus of payments to be made by us to England, but rather the contrary; neither can it have any effect to facilitate the exportation of our coin.

So long as great sums are required to be paid at London, and specie cannot be carried from hence but with much trouble, expence and risk, the rate of exchange must necessarily continue high, and the diminishing the circulation of Bank-notes can have no tendency to diminish it; though by decreasing our trade, and thereby encreasing the balance due to England, it may have the opposite effect.

No step, therefore, it would seem, was ever more dangerous or less effectual than that which was lately taken by the two Banks: and what seems to render it without excuse, is, that it has been publicly said, that both Banks had it in their power to be supplied with as much specie as their utmost demands could require, and at liberty too to encrease, instead of diminishing their circulation, by a contract for years, upon payment only of L. 1600. or L. 1800. *per annum* for each Bank. But the late unusual rise of exchange had given them, it seems, an alarm; and in place of tracing out the causes of this, and endeavouring to counteract them, a desperate and ineffectual step has been taken.

They seem to have been led into this, by a notion that if they could diminish the circulating paper-money of the kingdom, persons would not be found to purchase the Newcastle bills on London which are brought here to be sold. But it is very plain, that no person would buy Newcastle bills unless there was a demand for money at London, which these bills serve to supply; and the bringing these bills to market must tend to diminish in place of heightening the exchange. While that demand continues, these
bills

bills must necessarily be still purchased, though the circulating cash is diminished in Scotland. Neither will this step induce our countrymen to bring down the money they have in England. If the profits upon their money there had not been high, the profit of the exchange would have induced them to bring it down; but as that has had no effect, the present step taken by the Banks will only induce them to find other means in Scotland of supplying the circulating cash of the country.

The real cause of the unusual rise of exchange seems obvious; it proceeds from several causes operating together; most of them are however only temporary.

The only permanent cause which seems to have affected our exchange is the encrease of the public taxes. The other causes are temporary, and may be all reduced to two heads, which arise entirely from the present war; namely, the diminishing the number of troops stationed in Scotland, and of consequence the remittances from London for their payment; and the high *premium* given by the public for money to support the war. This last circumstance has had the chief effect. Great sums of money had been lent out in Scotland by persons residing in England, on account of the higher rate of interest here. This money has not only almost universally been recalled, but many persons residing in England have borrowed large sums in Scotland, to be employed in the public funds. Many of our countrymen too have carried to London or remitted thither all the money they could raise or borrow, in order to employ it in the same manner.

These several causes uniting at one time have brought things to their present situation; but it is evident that their effects cannot be permanent; and particularly, it is probable that all the money intended for the public funds is already in England, and therefore the gradual operations of trade, which formerly kept the exchange at a moderate rate, must soon restore it to its former situation.

After such a step as the two Banks have lately taken, every one will perceive that farther proceedings of the same kind may prove dangerous and destructive to this country. An easy and obvious remedy occurs. A rival Bank may be erected, under the direction of Gentlemen in whom the public has reason to confide; or some of the Banks already established at Glasgow may establish a branch at Edinburgh, and open cash-accompts there for the support of trade and the security of the country. It is probable, that upon the first hint of an intention of this sort the two Banks at Edinburgh will attempt to retrieve the confidence of the public; but it would be improper to be diverted by such temporary reformation from providing a security against their future proceedings.

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If the considerable merchants of Edinburgh, or the managers of the Glasgow Banks are actuated by that public spirit which they profess, or endued with that penetration which has been ascribed to them, it is their duty immediately to embrace this measure, and it is the duty of every man in trade to support them in it. But if on this occasion they discover a want of zeal, or a dread of pitiful consequences, the public will be taught to affix a proper stamp upon their characters, and will withhold from them that encouragement which they may one day solicit in vain.

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